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1993 Legislative Fiscal
Analyst,
financial-
compliance audit

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STATE OF MONTANA
LEGISLATIVE FISCAL ANALYST

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1993

PERFORMED UNDER CONTRACT BY:

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLET
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

November 1993

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Fiscal
Analyst for the two fiscal years ended June 30, 1993.

The audit was conducted by James J. Wosepka, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

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ELECTED AND APPOINTED OFFICIALS

LEGISLATIVE FINANCE COMMITTEE

1991-1992

SENATORS

Joe Mazurek
H.W. "Swede" Hammond
Judy Jacobson
Cecil Weeding
Larry Tveit
Dennis Nathe

REPRESENTATIVES

Ray Peck
Francis Bardanouve
Tom Zook
Tom Nelson
Dorothy Bradley
Bob Thoft

1992-1993

SENATORS

Judy Jacobson
Fred Van Valkenburg
Larry Tveit
Ethel Harding
Cecil Weeding
Chuck Swysgood

REPRESENTATIVES

Ed Grady
Francis Bardanouve
Tom Nelson
Ray Peck
Mike Kadas
Tom Zook

Fiscal Analyst

Teresa Olcott Cohea

INTRODUCTION

I performed a financial-compliance audit of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1993. The objectives of the audit were to: (1) determine if the financial schedules present fairly the agency's results of operations for the two fiscal years ended June 30, 1993; (2) determine if the agency complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the office.

I thank the staff of the Legislative Fiscal Analyst for their cooperation and assistance during my audit.

BACKGROUND

The Legislative Fiscal Analyst was created as part of the Legislative Finance Act, which became law in 1975. The office is under the supervision and control of the Legislative Finance Committee.

The Fiscal Analyst is responsible for the following:

- 1) Analyzing fiscal records of state government, furnishing information bearing upon the financial matters of the state.
- 2) Estimating revenue from existing and proposed taxes.
- 3) Analyzing the executive budget and budget amendments.
- 4) Reporting to and assisting legislative committees and individual members on financial information.

INTERNAL CONTROL

I have examined the financial schedules of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1993. I issued my opinion dated September 24, 1993 on these schedules. As part of my examination, I made a study and evaluation of the Office's control system. My study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. I classified the controls in the following categories:

1. Expenditures/liabilities;
2. Property, plant, and equipment; and
3. Payroll.

My study included the control categories listed above. I applied alternative audit tests to property, plant, and equipment as I determined it was more efficient to expand substantive testing for this area. Through my study, I determined the nature, timing, and

extent of my auditing procedures. I did not evaluate the control system to the extent necessary to give an opinion on either individual segments or system as a whole.

The management of the Legislative Fiscal Analyst is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of my study described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, I do not express an opinion on the system of controls used by the Legislative Fiscal Analyst.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of the document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The Legislative Fiscal Analyst was last audited for the fiscal years ending June 30, 1990 and 1991, under contract through the office of the Legislative Auditor. No audit recommendations were made.

CURRENT AUDIT RECOMMENDATIONS

None

STATE COMPLIANCE

I reviewed compliance with state laws that could have a material impact on the financial schedules of the Legislative Fiscal Analyst. In my opinion, the Legislative Fiscal Analyst complied with the state laws and regulations tested. Nothing came to my attention that causes me to believe untested compliance issues are not in accordance with applicable laws and regulations.

INDEPENDENT AUDITOR'S REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

JAMES J. WOSEPKA

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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

I have audited the financial schedules of the Office of the Legislative Fiscal Analyst for each of the two fiscal years ended June 30, 1992 and 1993, as listed in the table of contents. These financial schedules are the responsibility of the office's management. My responsibility is to express an opinion on these financial schedules based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the management, as well as evaluating the overall financial schedule presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In my opinion, the financial schedules referred to in paragraph one present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Legislative Fiscal Analyst for each of the two fiscal years ended June 30, 1992 and 1993, in conformity with the basis of accounting described in Note 1.



Baker, Montana
September 24, 1993

LEGISLATURE FISCAL ANALYST
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

	<u>General Funds</u>
FUND BALANCE: July 1, 1991	\$ <u>0</u>
ADDITIONS	
Prior Year Revenue Adjustments	55
Prior Year Expenditure Adjustments	4
Support From State of Montana	<u>788,985</u>
Total Additions	<u>789,044</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	<u>789,044</u>
Total Reductions	<u>789,044</u>
FUND BALANCE: June 30, 1992	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

LEGISLATURE FISCAL ANALYST
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	<u>General</u> <u>Funds</u>
FUND BALANCE: July 1, 1992	\$ _____ 0
ADDITIONS	
Prior Year Expenditure Adjustments	60
Support From State of Montana	<u>842,559</u>
Total Additions	<u>842,619</u>
REDUCTIONS	
Budgeted Expenditures & Transfers Out	<u>842,619</u>
Total Reductions	<u>842,619</u>
FUND BALANCE: June 30, 1993	\$ _____ 0

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

LEGISLATIVE FISCAL ANALYST
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT AND FUND BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 1993

	<u>1992</u>	<u>1993</u>
PERSONAL SERVICES		
Salaries	\$ 553,444	\$ 579,971
Hourly Wages	6,321	3,398
Other Compensation	550	150
Employee Benefits	<u>115,358</u>	<u>125,520</u>
Total	<u>675,673</u>	<u>709,039</u>
OPERATING EXPENSES		
Other Services	58,596	70,364
Supplies & Materials	5,734	5,348
Communications	9,431	7,064
Travel	14,478	7,297
Rent	10,572	10,775
Repair & Maintenance	11,290	7,905
Other Expenses	<u>2,694</u>	<u>2,077</u>
Total	<u>112,795</u>	<u>110,830</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment	<u>576</u>	<u>22,750</u>
Total	<u>576</u>	<u>22,750</u>
TOTAL PROGRAM EXPENDITURES	\$ <u>789,044</u>	\$ <u>842,619</u>
GENERAL FUND		
Budgeted	\$ 925,207	\$ 943,084
Actual	<u>789,044</u>	<u>842,619</u>
Unspent Budget Authority	\$ <u>136,163</u>	\$ <u>100,465</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 7 and 8.

OFFICE OF THE
LEGISLATIVE FISCAL ANALYST

NOTES TO THE FINANCIAL SCHEDULES
JUNE 30, 1992 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Fiscal Analyst utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.
- Obligations for employees' vested leave and sick leave are recorded as expenditures when paid.

Basis of Presentation

The financial schedules were prepared from Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Legislative Fiscal Analyst. Expenditures for termination pay currently are absorbed in the annual operational costs of the office.

OFFICE OF THE
LEGISLATIVE FISCAL ANALYST

NOTES TO THE FINANCIAL SCHEDULES (CONT.)
JUNE 30, 1992 AND 1993

Vacation and Sick Leave (Cont.)

At June 30, 1992 and 1993, the office had liability for compensated absences of \$108,767 and \$110,221 respectively.

2. PENSION PLAN

Employees are covered by Montana Public Employees' Retirement System (PERS). The office's contributions to the plan are shown below:

Fiscal Year	Fiscal Year
<u>1992</u>	<u>1993</u>
\$ 35,546	\$ 38,047

3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund beginning and ending fund balance will always be zero.

AGENCY RESPONSES

Legislative Fiscal Analyst
CLAYTON SCHENCK



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STATE OF MONTANA
Office of the Legislative Fiscal Analyst

October 15, 1993

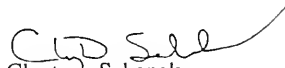
Mr. James Wosepka
Certified Public Accountant
P.O. Box 602
Baker, MT 59313

Dear Mr. Wosepka:

I have reviewed your audit report and financial statements for fiscal years 1992 and 1993. Thank you and your staff for this report. It has been a pleasure to work with you.

Please let me know if I can be of further assistance.

Sincerely,


Clayton Schenck
Legislative Fiscal Analyst

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